Connection Point

Advice. Life. Investments. Superannuation and Retirement.

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Digital dangers

How to protect yourself online

Cash flow can-do

Tips for managing your cash flow

New digital payments

Convenience or overspending?

Mind over matter

Coping with deadlines, noise and responsibilities

Salary sacrifice

Tax effective strategies

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How are investment markets performing?

TURNING POINT FINANCIAL SERVICES

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We hope you enjoy our latest edition of Connection Point.

Please contact our office if you would like to discuss anything in this edition.

Todd Dalton
Director

NEW DIGITAL PAYMENTS: CONVENIENCE OR OVERSPENDING?

Almost three centuries ago, Benjamin Franklin said "time is money". Fast forward to today and digital payment technology has turned that advice squarely on its head.

Contactless and mobile payment technology speeds up our ability to spend money but with that convenience often comes temptation. Research suggests that the psychological and emotional impact of handing over cash dissipates when paying with digital formats.

The impact on society is only just beginning to play out, according to the OECD International Network on Financial Education, which is investigating the trend.

"While mobile banking with real-time account updates may help users keep an eye on, and better manage, their money, some technologies have also made it easier to carelessly tap or wave a smartphone/contactless card for quick spending, which can be a problem for those consumers who are struggling with, or vulnerable to, impulse buying," the organisation wrote in a recent report on digital financial services.

Purchases made with credit already separate the pleasure of consumption from the pain of paying, while quick digital payments – even with our own money – created an even larger divide.

Australians were among the earliest adopters of contactless cards, but few are aware of the way it can also change behaviour.

"While the convenience of going cashless is undeniable, it comes with an inadvertent downside – we tend to value purchases less when using a card than when we pay via the more 'painful' methods of cash or cheque," according to a study led by Professor Avni M. Shah and published in the Journal of Consumer Research.

One experiment, found that consumers who bought identical $2 mugs with cash valued their purchases by an average $3 more than those who paid with a credit or debit card.

But while technology has created some unforeseen problems, it is simultaneously creating a range of new solutions. Fintech apps are now using extensive digital data trails to turn manual budgeting with spreadsheets and receipts into a more accurate and automated process.

However, this may mark just the beginning of a new digital relationship people are forming with money.

The underlying algorithms in apps are becoming better at predicting whether, and by how much, people will overspend monthly based on certain triggers. Common events, such as shopping online or withdrawing money from an ATM, can then act as key moments when people are primed to learn and change their behaviours.

For example, the OECD report cited a start-up called RevolutionCredit, which is serving customers bite-sized financial education videos at the point of transaction to improve their credit card use. Even traditional financial institutions are pushing the boundaries, such as British bank Santander. It offers customers a smartphone app that uses artificial intelligence to respond when asked questions like "how much did I spend last week?"

ASIC's MoneySmart site offers a range of financial information including calculators and apps as well as strategies to tackle debt and build wealth. ✱

Contact our office today for more advice about saving and investing.

DIGITAL DANGERS

HOW TO PROTECT YOURSELF ONLINE

Take only photos and leave only footprints. It's been the advice to travellers for decades. But as we navigate the digital landscape, both hold the potential to expose us to risk.

From paying bills to playing games, shopping to socialising, we're online more than ever before. And this activity can leave a trail leading to our location, our money, our families and our identities.

But a few simple steps can help protect you – and your information – from unwelcome eyes.

Safety begins at home

Start with a strong foundation for your home internet. That means securing your wireless network – if you're not using a password, there's nothing to stop somebody accessing data you send or receive. That's a sobering thought but it's very easily preventable. A wifi password can also stop opportunists from sharing your internet connection and gobbling up your download limit.

Locking the front door isn't much help if the back door is left wide open. It's worth checking the settings on your modem router to make sure that data encryption is turned on, and that you're not using the default password the device had when you got it.

We all know that it's important to use antivirus software for our PC, but when it comes to keeping our systems up to date, many of us are slower to act. The recent highly publicised 'WannaCry' ransomware attack that affected businesses, governments and individuals worldwide, was largely preventable simply by installing a Microsoft Windows security patch.

Keep it under lock and key

You wouldn't leave your PIN for your bank account lying on your desk, but are your online password choices compromising your safety?

Using a password that's easy for other people to guess makes it easy for them to gain unauthorised access to your accounts. And when you use that same password across multiple accounts, the risk of being compromised increases. Add to that our reluctance to change passwords regularly, and it's just asking for trouble.

Keeping track of the number of online accounts we end up with can be tricky, and with a different password for each account it becomes mind-boggling. This is where password manager tools can make a huge difference.

Password managers are online vaults or stand-alone software that keep all your login details and passwords safe from others, while putting them in easy reach for you. No more having to remember or continually reset your passwords – you just need a single, strong 'master password' to access the lot.

It's worth completing the online security check included in your password manager. This will help you update weak or duplicated passwords with more effective, randomly generated ones, and will also highlight any sites that may have been compromised.

Double the security

Many sites and applications offer two-factor authentication, which provides another layer of protection to users. This usually involves entering a unique code as well as your password when logging in. The code can be supplied through a mobile app, a security token, or by text message.

While this process does take a little longer, a few seconds are a relatively small price to pay when it comes to keeping personal photos, documents and credit card details safe.

It's available across social media, email, Apple and Google accounts, document management platforms such as Dropbox, online payment and shopping sites including PayPal, and of course for password managers.

The latest smartphones and tablets also support verification using a fingerprint scanner. This is part of a growing trend to use biometric data for security, making it more effective as well as quicker and easier.

Don't shout it from the rooftops

Social media is a great way to keep in touch with friends and family and connect with others about our shared interests in everything from football to philosophy. Oversharing can cause more than embarrassment though, if it allows our personal information to fall into the wrong hands.

Take a look at your privacy settings to make sure that you're only sharing with your nearest and dearest and not the whole world wide web.

That includes avoiding publicly tagging your location, which can enable strangers to see exactly where you are, or showing that your home is currently unoccupied. Likewise, sharing details of fancy new purchases can put you at risk of theft if shared beyond your friends and family.

How much to share online can vary widely from person to person. As a minimum though, steer clear of posting your home address, personal phone number or your full date and place of birth. All of those details can be used to open the door to more information about you and, in the worst case, identity fraud. Even a photo of your airline boarding pass can be used to unlock your loyalty points and credit card details.

A moving target

Our love of smartphones means we can stay connected almost everywhere. Some things are better done in private, though – if you're doing your banking on the wifi network at your local cafe, you might as well be sharing your account details at the top of your voice.

To stay safer, turn off wifi and bluetooth when you're out and about, and be careful of the information you enter in public places.

Watch out for shared computers, too – avoid logging into your personal accounts wherever possible, and be careful of using portable USB drives that can pick up viruses or malware.

Losing a phone can be a greater cost and a bigger inconvenience than losing a purse or wallet. There are apps that can help locate it, lock it, or wipe its data from afar: Apple has Find My iPhone, while Find My Device is available for Android devices linked to a Google account.

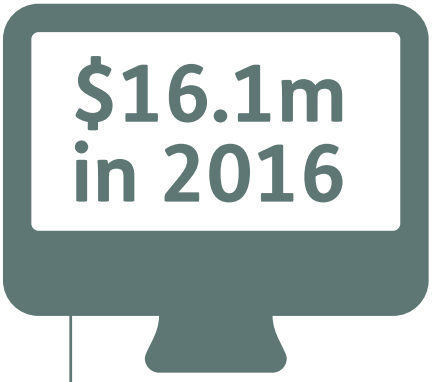
Wolves in sheep's clothing

Online scams often cloak themselves in the familiarity of brands, businesses, and even government institutions we know and trust. Some of these can look very professional and be highly convincing.

But genuine correspondence normally won't request that you update your personal details, claim that you've won a competition you've never heard about, or threaten that you've failed to lodge a tax return. Never fall for entering confidential information like your street address, bank details or tax file number on a site you've visited directly from an email or a social media link.

Technology can significantly boost your digital security, but for the best risk reduction you also need to think before you click. ✱

For more information, visit **https://www.staysmartonline.gov.au**/ and **https://www.scamwatch.gov.au/**

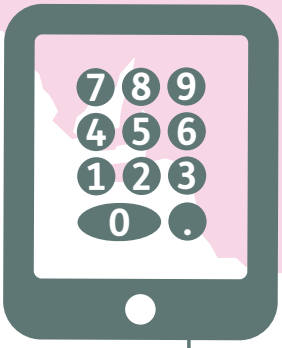


to online scams (on the internet, by email, through social networking and via mobile applications)

The top 25 most common passwords in 2016 accounted for over 50% of passwords used

80%

of people reuse passwords



123456

The most common password in 2016 used by almost 17% of people

CASH FLOW CAN-DO

There's more to managing your cash flow than skimming through your monthly bank statements. New technology is making it easier to track your spending, putting you back in the driver's seat.

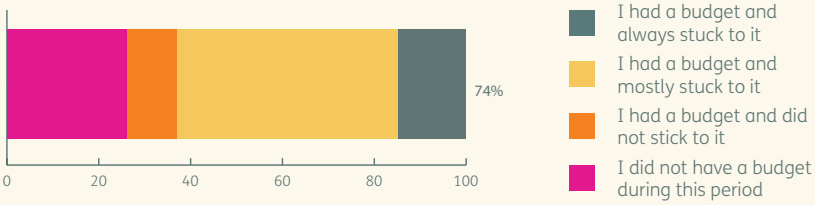
Historically low interest rates combined with the ongoing housing affordability crisis add up to Australians being in more debt than ever before. Whether you're repaying a mortgage or trying to get a foothold in the property market, managing your cash flow has never been so important.

It affects not only you and your family – it has the potential to affect the whole economy, according to the Governor of the Reserve Bank of Australia, Philip Lowe.

"In terms of resilience, my overall assessment is that the recent increase in household debt relative to our incomes has made the economy less resilient to future shocks," he told a recent Economic Society of Australia meeting.

Yet according to the latest research by the Australian Securities and Investments Commission, more than one-third of Australians either don't have a budget, or don't stick to one.

One third of Australians don't have a budget



Tools to help manage your money

Managing your money begins with knowing where it comes from and, more significantly, where it's going.

FinTech Australia CEO, Danielle Szetho, says the rise of cashless payments can help us by providing data that gives us valuable insights into our spending behaviour.

"From a consumer's perspective, this means fintech companies like Moneysoft, Pocketbook, Acorns and MoneyBrilliant can access rich data streams to show customers how they are spending their money, and can help them budget accordingly," she says.

This new wave of tools provides visual and interactive summaries of account balances and transactions from across multiple institutions. They can automate spending into categories, monitor trends over time, and project your expected future balances.

Contact our office today if you would like to find out more about managing your cash flow.

Make it easier for yourself

Below are five ways to help stay in control of your cash flow.

1. **Embrace automation:** It's increasingly quick and easy to set up automatic payments for bills and credit cards, and automatic transfers for regular savings. That means they're taken care of every month.
2. **Maximise your accounts:** Continued low interest rates mean there's not much to be gained from money sitting in your transaction account. Using a mortgage offset account, or exploring a high interest savings account with a sweep facility to your daily account, can make the most of what's on offer.
3. **Set specific goals:** Having a tangible goal is a powerful motivator to change your financial behaviour and stick to a budget.
4. **Get informed and get active:** Developing financial literacy is a lifelong journey. Keep building your knowledge and you'll find it easier to make wise decisions. It also pays to take the time to shop around – new customers can often get big savings on anything from internet service to car insurance.
5. **Small businesses may be small but their impact on the Australian economy belies their size:** The growth of the small business sector, which employs almost 5 million people, is held back by big businesses and government departments regularly paying their invoices late.

   Sixty per cent of small businesses said late payments have increased over the past year while almost one in five report average payment delays of more than 60 days, according to the Australian Small Business and Family Enterprise Ombudsman (ASBFO).

   The cash flow impact can be devastating with more than half of small businesses forced to borrow funds or use credit cards due to late payments to their business.

   "Businesses are the most likely repeat offenders when it comes to late payments," according to the ASBFO. "This makes sense since the practice of paying late allows a business to hold on to its money for its own use."

   The Business Council of Australia has proposed a voluntary code that would prompt its members to pay within 30 days. However, the ASBFO has made a range of stronger recommendations including that the government legislate a maximum payment time for business-to-business transactions.

   Until then, technology such as new accounting platforms, mobile payment platforms and e-invoicing can provide an effective solution to encourage faster payments.

MIND OVER MATTER

Overloaded with deadlines, information and responsibilities, it's little wonder that we sometimes end up on autopilot. Mindfulness can help us overcome the struggle and improve our physical, emotional and even our financial wellbeing.

Have you noticed how busy everybody is nowadays?

It doesn't make for a relaxing life and it isn't healthy either. Stressed out and short of time, it's easy to turn to quick fixes. It might be a couple of beers, some chocolate, zoning out on the couch or indulging in a little retail therapy.

Our minds wander to what we'd rather be doing. Sometimes, the last thing we want to do is think about the here and now.

But doing just that can have surprising benefits.

Mindfulness offers us a way to cope with the demands of our overloaded lives. It can reduce our tendency to worry, boost our confidence and help us make better decisions.

Have you been paying attention?

Being mindful involves paying deliberate attention to what we're experiencing in that very moment, without judging it as good or bad. That includes concentrating on our thoughts, feelings and physical sensations.

When we focus on what's going on right now, we develop greater awareness. And, just like regular physical exercise transforms the body, consistently practising mindfulness can change the brain.

Studies have found that mindfulness consistently affects the parts of the brain that are associated with self-regulation, learning, complex thought, and resilience.

> Mindfulness does not only have a positive effect on health and wellbeing, but also... is likely to improve one's ability to make high-quality judgments and decisions

Everywhere from businesses to schools, sports arenas and even prisons, mindfulness is being used to reduce stress, improve performance and develop greater empathy.

In Australia, one of the first organisations to introduce widespread mindfulness training was leading law firm Herbert Smith Freehills. In a profession known for its long hours and high demands, the program has generated meaningful change, including a 45% increase in focus and a 35% reduction in stress among participants[1].

Get money minded

Applying mindfulness to how we manage and think about our money is useful in a variety of ways.

1. **Better decisions:** Being mindful helps at each stage of the decision-making process, from initially framing it, to gathering information, making a conclusion, and finally learning from the experience. In particular, it helps combat the 'sunk cost trap', which is the strong bias to persist with a bad decision because of how much has already been invested.

1. https://www.lawyersweekly.com.au/news/17721-mindfulness-training-an-antidote-in-lawyers-toxic-lives

Having the clarity to consider how the available options relate to personal goals and hone in on the most relevant facts, stands people in good stead when faced with major investment or borrowing decisions.

2. **Reduced impulsiveness:** Bringing yourself back to the present moment curbs the instinct to act on impulse. That can reduce the tendency to overspend on items don't really want or need. You can help with sticking to a budget.
3. **Lower anxiety:** Personal finances are consistently rated as the number one source of stress, according to the Australian Psychological Society. Mindfulness is a valuable tool to reduce anxiety and feelings of being overwhelmed.

Developing greater awareness can help us make wise choices when faced with major investment or borrowing decisions, and change day-to-day patterns of behaviour that underpin financial wellbeing. And all without tearing our hair out.

Tips for getting started

Mindfulness is most effective when it's part of a regular routine. The good news is it doesn't have to take long or cost money – 10 minutes a day is enough to make a difference, and there are lots of ways to do it for free.

- Devote your complete attention to doing a single simple activity, like having a coffee. Notice everything about it: the heat of the cup, the aroma, the steam rising, the taste and how it changes, the warmth and energy as you drink, and how it makes you feel.
- Ask yourself a question and pause for a minute to reflect on what it means to you. It could be 'What makes me happy?' or 'What does this moment require?'.
- Go for a walk in a park or your neighbourhood and concentrate on your surroundings – the people, nature, the weather and the sounds.
- Listen to a piece of music – a favourite song, or something new – and concentrate on the different sounds and rhythms.

Beyond the brain

Mindfulness does more than give us a mental boost. Studies have found it also leads to:

- Better sleep
- Improved digestion
- More physical and mental energy
- Lower blood pressure
- Increased immunity, including against the flu

- Take one minute when you start or finish something during the day to breathe deeply, identify your feelings, thoughts and physical sensations and let them pass.
- Try an app – there's a range of mobile mindfulness training programs you can download. A great place to start is Smiling Mind, a free Australian app with a wide range of short programs for all ages.

Salary sacrifice into super or tax deductible contributions?

CLEARVIEW'S TECHNICAL MANAGER MELINDA BENDEICH EXPLAINS

It's a known fact, Australians, on average, are living longer. Retirees commonly spend over twenty years in retirement and the need to accumulate savings while they are still working to fund this retirement period has never been greater.

Using a salary sacrificing strategy where your employer contributes some of your salary into superannuation before tax is deducted has proven to be an effective way for many to accumulate wealth for retirement. For the self-employed, this strategy has been achieved by claiming a tax deduction on super contributions.

What's changed?

There have been two recent changes to super rules which may impact those salary sacrificing or making tax deductible contributions – one positive and one negative.

Contribution limits reduce

From 1 July 2017, instead of a $30,000 cap on contributions for those under 50 or the higher $35,000 cap for those 50 plus, the concessional contributions cap will be $25,000 for everyone.

Concessional superannuation contributions are contributions made by your employer on your behalf or personal contributions where you claim a tax deduction. The following table provides examples of the types of contributions that will count towards your $25,000 cap.

Concessional contributions	• Superannuation Guarantee • Salary Sacrifice • Personal contributions where you claim a tax deduction in your tax return	**Total must not exceed $25,000**

If you exceed your concessional contributions cap of $25,000, the excess amount will be taxed at your marginal tax rate, instead of the concessional 15% that applies to most concessional contributions. Plus an additional interest charge will have to be paid to the Australian Taxation Office (ATO). So now is the perfect time to review your current contribution amounts to ensure that you don't exceed the new limit.

Tax deduction available to more people

The second change that commenced from 1 July 2017 is that anyone eligible to make contributions to super now has the opportunity to claim a tax deduction for that contribution, irrespective of your employment situation. Previously, only the self-employed or those earning little or no income as an employee could make tax deductible contributions.

This is an important change for many workers as they will now have greater flexibility, especially if their employer places restrictions on their ability to salary sacrifice.

Consider these scenarios.

	Current situation	New opportunity from 1 July 2017
Scenario 1	Aryan's employer does not allow staff to salary sacrifice into super and only pays the required 9.5% Super Guarantee (SG) amount.	Aryan can make additional contributions to super during the year and claim them as a tax deduction in his tax return up to the $25,000 cap (including SG).
Scenario 2	Clare is a teacher earning $95,000 per year. While she understands the tax benefits, she doesn't want to sacrifice some of her salary into super each pay in case she is left short to meet living expenses.	Clare has the flexibility to wait until the end of the year to see if she has the capital to make a contribution into super and claim a tax deduction.
Scenario 3	Jonah's employer allows staff to salary sacrifice into super however then uses the reduced salary amount to calculate Jonah's 9.5% SG contribution.	Instead of salary sacrificing and receiving less compulsory super from his employer, Jonah can continue to receive SG contributions based on his maximum annual salary and make his own tax deductible contributions to super.

Case study

Oscar is 45 years of age and earns $110,000 a year designing software. After meeting his ongoing commitments, he has the capacity to invest an additional $14,000 per year for his retirement in 20 years time.

If Oscar was to make tax deductible contributions to superannuation of $14,000 in addition to the SG contributions his employer already makes, he could achieve a tax saving of $3,360 and that's just in one year as shown in the following table.

	Without deductible contributions	With $14,000 pa deductible contributions
Income	$110,000	$110,000
Less deductible contribution	$0	($14,000)
Taxable income	$110,000	$96,000
Tax + Medicare levy	($30,532)	($25,072)
Superannuation (SG and personal conts)	$10,450	$24,450
Contributions tax 15%	($1,568)	($3,668)
Net package	$88,350	$91,710

Assumptions: Return on super and non super investments: 5% pa after fees. Inflation and salary growth: 2.5%pa

Over a 20 year period, the financial benefit of Oscar making tax deductible contributions to super compared to investing outside the super environment is significant. At age 65, it is estimated that Oscar will have an extra $115,000 to invest for his retirement.

If you would like to know more about these changes and how they will impact you, talk to your financial adviser.

ClearView's Technical Manager **Melinda Bendeich** answers your financial questions.

WHAT'S IN STORE FOR GLOBAL EQUITY MARKETS?

ClearView investment analyst Jessica Schlosser looks at what happened in global markets in the June quarter and considers the outlook for Australian shares.

Global markets felt the impact of political uncertainty in the June quarter. In Europe, the election of French president Emmanuel Macron and the strong performance of Angela Merkel's Christian Democratic Union in German elections helped ease concerns of a spreading populist anti-globalisation movement.

During the quarter, the MSCI Europe Index rose 7.4 per cent, supported by subsiding political risk, improved corporate earnings and a stronger economic backdrop.

Brazil's economic recovery also hit a road bump with the country's long running political corruption scandal embroiling President Temer.

In Asia, North Korea's nuclear missile program continued to cause tension although it's not expected to affect equity markets as long as the US and China continue to cooperate on the matter. While the Chinese share market rose 6 per cent in the quarter, China is increasingly conscious of its financial fragility due to the country's high corporate debt and the government's links to their corrupt shadow banking system.

In the United States, Congress' inability to make meaning fiscal changes – demonstrated by its decision to push big infrastructure spending and tax reform out to 2018 – has led to support for the Trump administration declining. While the chance of a US stock market crash is minimal, US equities remained overvalued as at June 30, 2017 and face a potential correction.

Outlook for Australian shares

Fortunately, Australia hasn't been affected by the global political uncertainty surrounding the Brexit fallout. However, questions about the direction of the Australian economy are emerging. The minor iron ore rally in the second half of the 2016 calendar year helped push the domestic share market higher but iron ore prices have since come down due to growing stockpiles in China. Furthermore, domestic construction activity is beginning to slow.

Weak wage growth continues to be a concern, especially given the increasing cost of essential services like electricity and gas. This, combined with rising interest rates and tighter credit conditions, leaves Australians at risk of a credit and cash flow crunch.

Still, Australia has an extremely resilient economy. It has recorded 103 consecutive quarters without a recession. Australia now holds the record for the longest run of uninterrupted growth in the developed world, according to the Australian Bureau of Statistics.

The economy's adjustment to the end of the mining boom in 2013 is largely attributable to a weaker Australian dollar which supports exports and tourism, and makes Australia a more attractive destination for foreign students. New South Wales and Victoria have picked up some of the slack by increasing investment in non-mining industries by 10 per cent annually, while immigration has contributed to population growth and consumer demand.

That said, the Australian government and Reserve Bank of Australia appear to be running out of options to boost the economy. They managed to avoid the GFC by introducing various stimulus packages but these packages cost the government dearly and that burden is still evident. Further stimulus in the event of a downturn is unlikely. On top of that, taking the cash rate below 1.5 per cent will have minimal impact, evidenced by the impact in Europe which has had negative rates for some time.

While the Australian economy may be able to stave off a correction with continued immigration and expansion of non-mining industries, there are concerns it may be a case of delaying the inevitable.

Jessica Schlosser is an investment analyst at ClearView.

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